

TAB

THE ECONOMIC POWER OF THE BLOC

1. In order to estimate the magnitude of the threat that the Soviet World poses to The Free in the years ahead, one must look primarily at the economic and industrial might behind the iron curtain.
2. In this interior "heartland" position lies one-third of the world's population, almost completely self-sufficient in the natural resources of the globe. All material wants the Bloc can satisfy from within its borders with the exception of about ten per cent of its tin and copper and all of its crude rubber and cork. Synthetic rubber relieves it from worry on the rubber situation, and there are plenty of substitutes for cork. Were it to overrun the Middle East and South East Asia, it would have <sup>d</sup> no wants at all and would be amply supplied with excess petroleum reserves.
3. How strongly has the Bloc been developing these resources? In terms of gross national product - a familiar term in discussing our own economy - it has grown with remarkable rapidity; by 1948 it had made up for all the ravages of war, and in the four years since then it has been growing at a rate of ten to eleven per cent compared with our own five per cent. The

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reason for this spurt is that it has resolutely been funneling its efforts and resources into new capital goods at a rate once and a half our own; by intensive training it has increased its skilled labor force at six times the rate of its total population growth. Though we doubt it can continue at this phenomenal rate in the years ahead, it appears that the Soviet annual growth rate will be maintained at between five and seven per cent compared to about three to four per cent for our historic average.

4. More important in terms of power than total national produce, which includes such services as beauty parlors, baseball games and resorts, is the industrial output of a nation. This, as we all well know, provides the essential sinews of war, and in this comparison the Soviet record is even more impressive. In the four years, 1948 to 1951, its industrial production has spurted sixty per cent - roughly three times as fast as the US. The breakdown of industrial production is also significant: whereas consumers' goods have gained only approximately one-third, capital goods have risen nearly two-thirds and military production almost one hundred per cent.

5. Steel production - yardstick of basic military and industrial strength -

in the Soviet Bloc today runs at fifty million tons a year, equal to our 1939 rate and two and a half times the German's war time peak.

6. Thus, in comparative terms, we find that whereas the USSR possessed barely one-fifth the industrial power of the United States in 1947, in 1956 it will be one-half as powerful. If our careful forecasts are correct, Russia will be our industrial equal by 1975 - before children now being born have graduated from college.

7. This rate of "closing the gap" is appalling enough by itself, but its stark meaning becomes even clearer when it realizes that the Soviet does not need to be our equal in strength before it will be in an industrial position to risk all in a mighty test of strength. Never forget how difficult it was for us to achieve victory over the German and the Jap though each of them possessed but a small fraction of the industrial might of the alliance they fought to a standstill for four years.

8. Finally, a word about quality. All too often we think of ourselves and our Western Allies as the only people with industrial genius and scorn the possibility of fine work or major invention on the part of others. Machine tools, farm tractors and weapons that come into our hands from behind the iron curtain have been thoroughly tested by our best industrial engineers and private

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and governmental laboratories. The findings have all been alike: excellent design, careful and rugged construction and in many instances levels of development ahead of our own.

9. Finally, the Soviet ability ruthlessly to concentrate their effort to their ultimate goals of world conquest must be borne in mind. Though they have been according their populace in increasing standard of living by steady reduction of prices and increase in the availability consumers' goods they still continue to emphasize the production of capital goods and military end items. At the present rate, they will by 1957 be producing war goods at one-third higher rate than their top war time production plus our lend lease aid. If they decided to go all out for war in the latter 1950s, they would not hesitate to cut consumption in half and this would enable them to put sixty per cent of their economy into war production as compared to less than forty per cent in 1944 giving them a total military product some four and a half times that they achieved in 1944 and slightly more the highest we achieved in the peak of our world war effort.

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